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SUBJECT: EU PROPOSAL TO USG FOR CASH COURIERS / CONTROLS
COOPERATION

REF: SNYDER EMAIL 12/14/2007 TO U.S.-EU TROIKA PARTICIPANTS ON CASH
COURIER ISSUE

¶1. (SBU) Summary: EU Member State representatives will discuss on Jan. 16 how to respond to U.S. proposals for the next U.S.-EU practitioners' workshop on countering terrorist financing at the EU's Committee on Terrorism (COTER) working group. A Council Secretariat contact predicted to USEU that cash couriers could be

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the most feasible substantive topic to include on the agenda and doubted that there would be "enough meat" for an exclusive stock-taking session. She encouraged the U.S. to accept the Commission's proposal to send U.S. representatives to the April meeting of the EU expert group on cash controls, perhaps to be followed by a larger workshop meeting in May under the Slovenian Presidency. End summary.

Commission and Slovenian Presidency's
Proposal for U.S.-EU Experts Cash Controls
Info Exchange

¶2. (SBU) As reported Ref Email, USEU Customs Attache and Econoff met on December 13, 2007 with the European Commission Directorate General for Taxation and Customs Union (DG TAXUD's) Unit for Risk Management, Security and Specific Controls John Pulford (Head of Unit), Karl Elsner, and Stella Nicoloudaki to discuss the EU's proposal for U.S.-EU experts to exchange information on cash control procedures. The EU cash controls regulation came into force in June 2007. At the November 2007 U.S.-EU Terrorist Financing Troika, TAXUD invited U.S. counterparts to join a future meeting of the EU's working-level expert group which meets regularly on implementing the regulation. In some cases (e.g., UK and Germany) but not all (e.g., Spain and Italy), the EU customs experts are dual-hatted with law enforcement functions. The customs group comprises those authorities charged with receiving the EU's written cash control declarations, which are in turn sent to the respective EU Member State (EUMS) Financial Intelligence Units (FIUs). The expert group primarily serves a "first pillar" internal market mandate, but it also occasionally discusses "third pillar" law enforcement policy issues.

¶3. (SBU) In principle, the EU Presidency holds the reins for organizing U.S.-EU discussions on cash controls. The Slovenian

Presidency asked TAXUD, which hosts the expert group, to organize the U.S.-EU exchange on the Presidency's behalf. TAXUD thus proposed that appropriate USG cash control experts join the April 1-2 working group meeting in Brussels for an initial exchange of information among practitioners. TAXUD suggested the agenda could include the following:

- Mechanics of administering respective U.S. and EU cash control systems (e.g., how do we handle specific difficulties, such as transiting crew members, minors, casinos, stores);
- Trends (e.g., concealments, sources, etc.);
- Electronic money (e.g., wire transfers, gift cards, emerging technology)

TAXUD believes that if this initial exchange is fruitful, this could be the start of a regular exchange with this grouping.

Countering Terrorist Financing
through Cash Controls

¶4. (SBU) The original objective of the EU cash control regulation was to counter terrorist financing. The expert group attached to the implementing regulation, however, does not include the broader group of practitioners, policymakers, prosecutors, analysts, law enforcement agents, FIUs, and other stakeholders necessary to conduct a comprehensive U.S.-EU information exchange on countering terrorist financing via cash controls. (TAXUD hinted that the EU FIUs in particular must be sensitized to the importance of their role.) Such an exchange would require outreach to a larger set of practitioners, even beyond those in regular attendance at the U.S.-EU terrorist financing workshops. TAXUD explained that this grouping would require a broader mandate and resources beyond TAXUD's immediate disposal, but they thought perhaps the French Presidency could marshal such an event. This would require

BRUSSELS 00000071 002 OF 002

inter-service coordination within the European Commission, bringing in DG RELEX (External Relations), DG JLS (Justice, Freedom & Security), and DG MARKT (Internal Market), external coordination with the Council Secretariat and Presidency. TAXUD would forfeit the lead once primary discussions leave the first pillar mandate on cash controls.

Council Secretariat Views and the Next
U.S.-EU Terrorist Financing Workshop Agenda

¶5. (SBU) Econoff followed up on Jan. 9 with Council Secretariat's Elisabetta Pietrobon (Transatlantic Relations desk). Pietrobon expressed doubt that the idea of a stock-taking to encapsulate the U.S.-EU workshop series to date would have "enough meat" to do this exclusively. Any final report could be initiated at the May workshop, but would need clearance from the formal EU Council before being finalized. Pietrobon thought the U.S. proposal to discuss cash controls was the most promising substantive topic for the workshop agenda. She suggested U.S. participation in TAXUD's April cash control working group could be a good preliminary meeting and be followed up at the May terrorist financing workshop with the larger group of stakeholder practitioners. Pietrobon's personal view was that holding U.S.-EU talks on this subject in May would be advisable as TAXUD's Karl Elsner would retire in June, and the Commission would take some time to fill his institutional expertise. For this reason she was personally hopeful to conduct the exercise prior to the French EU Presidency in July. Pietrobon confirmed that EU Member States would discuss the possible format and topics for the next U.S.-EU practitioners' workshop on terrorist financing at the Jan. 16 COTER working group. Septel will discuss other reactions to U.S. proposals for the workshop agenda.

Comment: U.S. Interests / Goals

¶6. (SBU) The USG should accept TAXUD's invitation to send select representatives of U.S. cash control experts to participate in the April 1-2 expert group. Possible customs-to-customs counterparts could include ICE and CBP subject matter experts (SMEs) to exchange views, trends, and best practices related to enforcing cash controls. A broader dialogue extended to additional law enforcement officials, either at the May U.S.-EU terrorist financing workshop or via another venue, would benefit from this initial exchange of practices. The April meeting could open EU customs officials' eyes to the much larger counter-terrorism picture, providing a "hook" for broader discussions with other stakeholders.

¶7. (SBU) To bolster the strategy of extending security zones outward from U.S. borders, it is in the U.S. interest to help the EU stand up a robust, sophisticated approach to cash controls. Elimination of internal EU border checks through Schengen expansion (i.e., borders between EU countries as opposed to external EU borders) has meant enormous losses for investigative and evidentiary purposes, including cash control information. EU and U.S. investigator and prosecutor consultations on how cash courier information can be retrieved and used to support criminal investigations and forfeiture actions in the United States, EU Member States, and elsewhere would be of great benefit at this time.

As previously reluctant EU Member States have warmed to the rationale for imposing written procedures on cash controls, the USG should now work to cement this buy-in and drive the point home that this process must be more than another tax-collecting paper exercise. This could usefully promote broader law enforcement and counter-terrorism objectives. Joining the April expert group venue would allow USG counterparts to "get in on the ground floor" in shaping the EU's evolving approach to enforcing border cash controls. The USG should demonstrate the benefits of extensive information sharing to track, investigate, and prosecute bulk cash smuggling-related crimes and terrorism. We can show how encouraging cooperation across disparate competent authorities, within and outside internal EU borders, is a vital and mutual security interest of global proportions. End comment.

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